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*File Review 1-10-69*  
*T.O. # 5*  
*Account No. 2*  
*1-10-69*

M-19-802476-1

2 January 1969

*Received 1-8-69*  
*Handcarried*

Dear Dave:

Subject: Contract [ ] - Task Order No. 5 - Proposal for Four (4)  
 [ ] Precision Enlargers, No. 1-023-E-001, With Spare  
 Parts and Installation

Reference: (1) Message 3872, dated 1 July 1968  
 (2) Message 5121, dated 16 August 1968  
 (3) Message 5894, dated 13 December 1968

In response to the referenced messages, we are submitting herewith a total fixed price proposal of [ ] for the subject items which are part of a quantity production of six (6) machines.

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Enclosure 1 is a summary of item prices and delivery schedules.

Enclosure 2 consists of detailed cost breakdowns for each item showing derivation of item costs resulting from combined quantity production of six (6) Enlargers.

The above quoted price is based on the following conditions:

1. A kit of expendable supplies (except photographic supplies) and spare parts, sufficient for 30-day operation, will be furnished with each Enlarger.
2. Two (2) copies of an operation and maintenance manual will be supplied with each Enlarger.
3. The quoted price for Item 4 is based on concurrent release and manufacture with the six (6) Enlargers.
4. Preliminary acceptance testing shall be accomplished at the contractor's plant in accordance with an established test procedure from a previous contract. Final acceptance at the installation site shall be limited to a demonstration that no damage was suffered in transit or during installation and that the photographic performance has not degenerated.
5. Installation shall be made in an area prepared by the customer to the requirement for space, services and

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environment stipulated on the contractor's drawing  
No. 1-023-B-513.

6. Installation includes a preliminary inspection trip to the installation site.
7. Inspection and testing to be that applied to items of a similar nature when manufactured in our plant.
8. Price includes cost of commercial type packaging and crating with shipment


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This quotation can be considered valid for sixty (60) days from proposal date, with the provision that in the event any item in the quantity production of six (6)  Precision Enlargers is terminated, a price adjustment will be negotiated to reflect any change in cost resulting from termination.

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KCO:sjm  
Encs.

K. C. O. 

Copy #1: DW w/encs. (M-19-802477-1 & M-19-802478-1)  
2: RC w/encs. (M-19-802477-2 & M-19-802478-2)

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10 March 1969

## MEMORANDUM OF NEGOTIATION

Final negotiation of Contract [ ] Task Order No. 5 took place  
 at the [ ] on 6 March 1969. The Government was represented

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This contract contemplates the procurement of four [ ] Precision Enlargers (BPE) for the Government. The Contractor was originally (28 June 1969) requested to fabricate one BPE for NPIC, based on a total contemplated procurement of three instruments. Over a period of months other Government agencies became aware that an exceptionally reliable, and efficient enlarger was available for a very reasonable price on a multiple procurement. Through no insignificant coordination, no fewer than six different Government installations will be beneficiaries thereof. Four (NPIC, Navy, Air Force and DIA) are serviced under this contract, while two other Air Force installations are being supported contractually by Wright Patterson AFB. It was not until 19 February that the Contract Officer had received all of the required funding from other agencies; however, the contractor submitted his order for long lead items for six BPE's in December, assuming the risk for one article.

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The items on order/photographic enlargers, constructed to accept operational film of various sizes and to enlarge same with a high degree of acuity at a high rate of speed with continuously variable magnification.

The auditor questioned [ ] of costs; a reduction [ ] was realized during negotiation.

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The salient points were as follows:

Through a comparison of the estimate for this procurement with a prior procurement for a lot of seven instruments, the auditor ascertained that the Contractor overestimated the labor hours. The total dollars so questioned were [ ] to which the appropriate burdens were added.

Also questioned was an allowance for manufacturing losses equalling 10% of purchased parts cost. This estimate was unsupported and, therefore, considered unallowable as a contingency per ASPR 15-207.7 (c) (ii). The Contractor contended that a 10% purchased parts attrition rate was reasonable based on his past experience. Giving recognition to the reality of attrition, but lacking convincing data to support a 10% factor, the Government arbitrarily granted a 5% factor. To this reduction was added costs applicable to material handling.

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The Contractor proposed G&A rates of 5.2% and 5.8% for CY1968 and CY1969, respectively. The Contractor contended that these rates were their best estimate, but agreed that the CY-69 rate could be closer to 5.5%. The auditor recommended a G&A expense rate of 5.1% applied to acceptable factory costs and he based his recommendation upon a continuous review of historical costs, projected budget information and correlation analysis. The Government, therefore, insisted upon the 5.1% figure.

The negotiator and the contractor agreed to a 10% profit rate. The rate of profit is considered justified for several reasons: (A) The Contractor agreed to a firm fixed price contract; (b) The Contractor has reduced costs for the item considerably from the original cost of the same items manufactured under Task Order No. 4 (CPFF). That price was proposed at [ ] (including spares) each based on a quantity lot of seven. A substantial underrun reduced the final price to the Government on that Task Order to about [ ] each. The negotiated fixed price under this contract is slightly more than [ ] including spares; (c) The 10% profit factor was also in consideration of the Contractor's responsiveness, cooperation in assisting in the coordination of these six orders over a long period of time, reliability and quality control.

A certificate of current cost or pricing data was obtained, effective 7 February 1969.

The recapitulation:

[ ]

This contract is believed to be in the best interest of the Government cost and price considered. A firm fixed price is believed to be the appropriate contractual vehicle for this procurement since this is a production run and the costs can be estimated with a considerable degree of accuracy.

This is a sole source procurement because the initial development was contracted for under a prior contract, in consideration of the expertise gained by this contractor through development and an initial production, and because there is no other comparable instrument available

[ ]

NOTE: The cognizant Air Force procurement officer is [ ] Wright Patterson AFB. The final fixed price for the basic machine will be the same for the Air Force as for our basic machines. The only difference in the total package price would be reflective of a difference in number of lenses required and installation charges.

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